

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /099 W

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R 271735Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1428

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO BRUSSELS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY STOCKHOLM

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: ELAB, UK, EEC

SUBJECT: REG PRENTICE DISCUSSES COALITION, THE ECONOMY,
EEC AND OTHER ISSUES

REF: (A) LONDON 7671; (B) LONDON 7904 (NOTAL)

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1. BEGIN SUMMARY: REG PRENTICE, SECRETARY OF STATE FOR

EDUCATION, IS OPPOSED TO A FORMAL COALITION GOVERNMENT, BUT HE DOES NOT RULE IT OUT IF THE ECONOMY DETERIORATES BADLY OR IF THERE IS A "NO" VOTE ON JUNE 5 TO THE EC. PRENTICE ALSO BELIEVES THAT THE GOVERNMENT MUST TAKE "DRASTIC" STEPS TO DEAL WITH THE ECONOMY, INCLUDING THE PROMULGATION OF A NEW VOLUNTARY INCOMES POLICY, WITH RESERVE STATUTORY POWERS, AND THAT THE GOVERNMENT SHOULD NOT DEPEND ON THE TUC TO DO THE GOVERNMENT'S JOB. THE EDUCATION SECRETARY MADE THESE AND OTHER POINTS DURING A DISCUSSION WITH LONDON-BASED LABOR ATTACHES LAST WEEK. END SUMMARY.

2. THE ECONOMY: PRENTICE SAID THAT DURING THE PAST YEAR THE GOVERNMENT HAD DEMONSTRATED IT WAS MORE DEPENDENT THAN WAS DESIRABLE ON THE ECONOMIC POLICY OF THE TUC. (THE LABOR GOVERNMENT SHOULD HAVE A CLOSE RELATIONSHIP WITH THE TUC, HE SAID, BUT SHOULD BECOME MORE INDEPENDENT OF IT.) HE BELIEVES THAT DRASTIC STEPS ARE NOW NEEDED TO "WAKE UP THE BRITISH PEOPLE FROM THEIR COMPLACENCY IN THE FORM OF SOME SHORT OF SHOCK THERAPY." HE ACCEPTS THAT IT IS NOT RIGHT TO EXPECT THE TUC TO DO THE GOVERNMENT'S JOB. PRENTICE FAVORS THE GOVERNMENT'S COMING FORWARD WITH A VOLUNTARY INCOMES POLICY WITH RESERVE STATUTORY POWERS (THE "CLUB IN THE CLOSET," IN U.S. TERMINOLOGY) IN THE EVENT A VOLUNTARY POLICY DID NOT WORK. HE ADDED THAT THE "JONES' INITIATIVE" (REF A) HAD MERIT (IT CALLS FOR A FLAT RATE RATHER THAN PERCENTAGE INCREASE FOR ALL CATEGORIES OF WORKERS WHETHER MANUAL, WHITE COLLAR, TECHNICAL OR EXECUTIVE -- TO BE RELATED TO COST OF LIVING CHANGES). HOWEVER, HE NOTED THAT THE JONES' PROPOSAL NEEDS TO BE REFINED, AND IT COULD ONLY BE CONSIDERED A SHORT-TERM SOLUTION SINCE ITS LONG-TERM USE WOULD ERODE DIFFERENTIALS. (JONES' IDEA HAS ALREADY MET WITH HOSTILITY FROM REPRESENTATIVES OF SKILLED WORKERS).

3. IMPORT CONTROLS -- PRENTICE NOTED THAT THE TUC WAS INCREASINGLY PRESSING FOR IMPORT CONTROLS, BUT "THIS IS NOT LIKELY TO HAPPEN." THE TUC CAN BE EFFECTIVE, HE SAID IN "NEGATIVE ACTION," THAT IS IN NOT REACTING AS GOVERNMENTS DESIRE BUT IT CANNOT FORCE GOVERNMENT TO TAKE "AF-LIMITED OFFICIAL USE

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FIRMATIVE ACTION" WHICH THE GOVERNMENT OPPOSES. (THUS FAR, AT LEAST INSOFAR AS TEXTILES ARE CONCERNED, THE EDUCATION SECRETARY APPEARS TO BE CORRECT, SINCE -- TO THE SHARP DISAPPOINTMENT OF BOTH SIDES OF THE TEXTILE INDUSTRY -- THE PRIME MINISTER HAS INDICATED THAT HE PREFERS OTHER MEASURES THAN IMPORT CONTROLS TO HELP THE INDUSTRY (REF B).

4. A NEW COALITION -- HE WAS NOT OPPOSED TO A MULTI-PARTY AGREEMENT ON POLICIES, HE SAID, BUT HE WAS AGAINST ANY STRUCTURED ARRANGEMENT. HE WAS FEARFUL THAT ANY CLEAR SPLINTERING WITHIN THE LABOR PARTY WOULD BE A FAILURE FOR THE PARTY AND HE RECALLED THAT AFTER THE INDEPENDENT LABOR PARTY WAS ESTABLISHED IT "FIZZLED OUT." HOWEVER, HE DID NOT COMPLETELY RULE OUT THE POSSIBILITY OF A COALITION IF FOR EXAMPLE THERE WERE A DECISIVE "NO" VOTE WHICH WOULD SPLIT THE LABOR PARTY, OR IF THE ECONOMY WERE TO DETERIORATE BADLY.

5. WILSON SUCCESSION -- PRENTICE WAS CONTEMPTUOUS OF BENN'S CHANCES OF SUCCEEDING TO THE WILSON MANTLE, SINCE

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HE WOULD NOT RECEIVE SUFFICIENT SUPPORT IN THE PARLIAM-
MENTARY LABOR PARTY. AT THE SAME TIME HE RULED OUT ROY
JENKINS, SHIRLEY WILLIAMS OR HIMSELF. IF THE DECISION
HAD TO BE MADE NOW HE WOULD BET ON CALLAGHAN'S TAKING
OVER THE LEADERSHIP, BUT IN THE LONGER TERM, HE THOUGHT
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THAT HEALEY WAS MOST LIKELY TO SUCCEED.

6. EDUCATION: THE EDUCATION SECRETARY MADE A STRONG DE-
FENSE OF THE GOVERNMENT'S EDUCATIONAL REFORMS (OVER WHICH
HE IS PRESIDING, OF COURSE). THESE CHANGES ARE DESIGNED
TO TRANSFORM THE EDUCATIONAL SYSTEM BY PHASING OUT THE
OLD GRAMMAR SCHOOL, REMOVING DIRECT STATE AID TO PRIVATE
SCHOOLS, AND ESTABLISHING THE COMPREHENSIVE SCHOOL AS THE
NORM. HE ARGUED THAT THE OLD SYSTEM WAS TILTED TOWARD
"THE ACADEMICS, LEFT FEW FACILITIES FOR ENGINEERING AND
HIGHER MATH, WHILE THE COMPREHENSIVE SCHOOL IS MORE ALL-
EMBRACING." HE ALSO ARGUED THAT THE OLD SYSTEM BY SEGRE-
GATING THE 11 PLUS STUDENTS LEFT MANY WITH A SENSE OF
FAILURE, AND HE NOTED THAT THE "HOOLIGANS" WHO CUSTOMARI-
LY BREAK UP FOOTBALL MATCHES WERE RECRUITS FROM THE BOT-
TOM OF THE OLD "STREAMING SYSTEM WHICH ENSURED THEIR
SEGREGATION. HE ACKNOWLEDGED THAT HE DID NOT HAVE ALL
THE ANSWERS -THERE WERE CLEARLY SOME UNCERTAINTIES --
BUT THAT EXPERIENCE SO FAR HAS DEMONSTRATED TO HIS SATIS-
FACTION THAT WHILE THE BRIGHTEST STUDENTS CONTINUE TO DO
WELL IN EVERY SCHOOL ENVIRONMENT, THE POOREST DO BADLY IN
ALL CIRCUMSTANCES; IT IS THE LARGER GROUP IN BETWEEN WHO
BENEFIT FROM THE STIMULATION OF THE COMPREHENSIVE SCHOOL.

7. THE EUROPEAN COMMUNITY -- PRENTICE ACKNOWLEDGED THAT
HE HAD BEEN CONVERTED FROM AN ANTI-EC POSITION TO A PRO-
EC POSITION, ALTHOUGH HE SAID HE HAD NEVER BEEN "DOGMAT-
IC" ABOUT THE ISSUE. THE ISSUES WHICH CAUSED HIM TO
CHANGE HIS MIND WERE: A) IT HAD BECOME NO LONGER VALID
THAT BRITAIN COULD BUY FOOD MORE CHEAPLY OUTSIDE THE EC
THAN WITHIN IT; B) THE WORLD ECONOMIC POWER STRUCTURE
CHANGED DRASTICALLY AS A RESULT OF THE NEW POSITION OF
THE OIL PRODUCING NATIONS; C) MAJOR OBJECTIVES HAD BEEN

ACHIEVED IN THE RE-NEGOTIATION PROCESS; AND D) HE WAS REALLY IMPRESSED WITH THE EC LOME AGREEMENT. PRENTICE CONSIDERS THE EC BATTLE NOW A FOREGONE CONCLUSION, AND THAT A CONTINUING REFERENDUM CAMPAIGN WILL HAVE NO EFFECT EITHER WAY. IN THE END, HE NOTED, IT IS "INERTIA" WHICH WILL KEEP BRITAIN IN THE COMMUNITY. AS FOR THE FUTURE OF THE COMMUNITY BEYOND JUNE 5, PRENTICE STRESSED THE URGENT IMPORTANCE OF MAKING A "SOCIAL EUROPE," (BY DIRECTING THE LIMITED OFFICIAL USE

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COMMUNITY TO ITS FUNDAMENTAL SOCIAL TASKS OF CONTRIBUTING TO THE WELFARE OF THE MASSES OF THE PEOPLE).

8. THE EDUCATION SECRETARY ALSO DISCUSSED THE QUESTION OF WORKERS' PARTICIPATION IN INDUSTRY. THIS WILL BE REPORTED LATER IN A SEPARATE MESSAGE.

9. COMMENT: PRENTICE, A FORMER SHADOW EMPLOYMENT SECRETARY, AND ONE WHO IS VERY CLOSELY LINKED TO THE MODERATE LABOR PARTY "MANIFESTO" GROUP, IS, NOT SURPRISINGLY, CONSIDERED AN ECONOMIC HARD-LINER BY THE TRADE UNIONS AND THE PARTY'S LEFT-WING. HOWEVER, HIS VIEWS COULD WELL BE ADOPTED BY THIS GOVERNMENT IF THE ECONOMY CONTINUES TO DETERIORATE. WHILE AN OUTRIGHT RETURN TO AN INCOMES POLICY MAY BE CONSIDERED POLITICALLY UNTHINKABLE AT THIS POINT, THE SITUATION COULD CHANGE BY AUTUMN. OBVIOUSLY, EVERY EFFORT WILL BE MADE BY THE GOVERNMENT -- IN COOPERATION WITH THE TRADE UNION ESTABLISHMENT -- TO FORESTALL A COMPULSORY POLICY. THE JONES' INITIATIVE, RECENT CBI PROPOSALS INDICATE THAT BOTH SIDES OF INDUSTRY RECOGNIZE THE NEED TO FIND SOMETHING MORE EFFECTIVE THAN THE SOCIAL CONTRACT IN ITS PRESENT FORM. HOWEVER, IF THESE EFFORTS FAIL, THE PRENTICE APPROACH OF A VOLUNTARY INCOMES POLICY COUPLED WITH RESERVE POWERS COULD COME UNDER VERY SERIOUS CONSIDERATION BY THE GOVERNMENT. END COMMENT.

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